

MEMORANDUM

September 11, 2003

MEMO TO: Robert M. Beringer, Chief
Bureau of Utilities

Sharon F. Greisz, Director
Department of Finance

THRU: Ronald S. Weinstein
County Auditor

FROM: Lisa L. Geerman
Assistant County Auditor

SUBJECT: FY 2003 Inventory
Bureau of Utilities

The Office of the County Auditor observed and assisted in the annual inventory counting process at the Bureau of Utilities on June 5, 2003. Representatives from our office, along with staff from the Bureau of Accounting, assisted staff from the Bureau of Utilities. We obtained the inventory list dated June 5, 2003, observed the counting process, and verified the physical counts on a test basis.

The inventory list prepared by the Bureau of Utilities before the count showed an inventory value of \$593,318.65. The physical count taken on June 5, 2003 resulted in a value of \$598,295.67. The difference between the inventory list amount and the counted amount was \$4,977.02, a variance of .83%. We consider this to be an immaterial amount and within acceptable limits. The physical count on June 5, 2003 included adjustments for items used since May 31, 2003, and is therefore comparable to the May 31, 2003 inventory records maintained by the Department of Finance.

The Department of Finance maintains inventory records which are adjusted monthly. The May 31, 2003 balance according to the department's records was \$591,191.09. An adjustment of \$7,104.58 was made to reflect the total inventory balance of \$598,295.67. The variance was 1.2%.

A separate ADO (advance deposit order) meter inventory is kept. Advance deposit order meters are meters which have been purchased for a specific customer, and for which a deposit has been received from that customer. The meter is removed from inventory when it is installed and the account is settled. We also reviewed this inventory. The physical inventory value was \$23,772.32. The accounting records reflected a May 31, 2003 balance of \$28,724.68. An adjustment of \$4,952.36 was made to the accounting records to correct the balance to the physical inventory value of \$23,772.32. The variance was 20.8%. This variance was traced to a meter that cost \$5,029.64 that was removed from inventory and was never charged to the customer. The error

was discovered by reconciling the Department of Finance's inventory value with the Bureau of Utilities' physical count valuation. If this type of error occurred in the future, it would also be discovered at the time the physical inventory is reconciled to the accounting records. The Bureau of Utilities will follow-up for collection of the cost of the meter from the customer.

LG:dl-ui03

cc: Council Members
James N. Robey, County Executive
Raquel Sanudo, Chief Administrative Officer
James Irvin, Director, Department of Public Works
Christopher Fioravante, Chief, Bureau of Accounting
Lois Miller, Administrative Services Officer
Jerry Kulis, Chief, Division of Accounting Control